Consolidated Interim Financial Statements of

CARGOJET INCOME FUND

Three month period ended March 31, 2006

CARGOJET INCOME FUND
Consolidated Balance Sheet

	March 31, 2006 (unaudited)	December 31, 2005 (audited)
ASSETS		
CURRENT		
Cash	**$ 24,770**	$ 359,502
Accounts receivable	**8,969,861**	10,323,444
Spare parts, materials and supplies	**1,157,384**	1,237,135
Prepaid expenses and deposits	**2,044,511**	1,973,957
Due from related company (Note 12)	**430,313**	744,651
	12,626,839	14,638,689
CAPITAL ASSETS (Note 5)	**29,232,040**	28,536,834
INTANGIBLE ASSETS (Note 6)	**79,726,896**	82,244,184
	$ 121,585,775	$ 125,419,707
LIABILITIES		
CURRENT		
Accounts payable and accrued charges (Note 8)	**$ 7,840,711**	$ 12,027,636
Distributions payable to unitholders (Note 16)	**1,228,572**	1,228,572
Future income taxes (Note 10)	**1,159,188**	1,492,356
Current portion of long-term debt (Note 7)	**115,390**	-
Current portion of aircraft heavy maintenance accrual (Note 9)	**2,140,937**	1,847,691
	12,484,798	16,596,255
LONG-TERM DEBT (Note 7)	**26,262,236**	23,179,862
AIRCRAFT HEAVY MAINTENANCE ACCRUAL (Note 9)	**375,000**	250,000
FUTURE INCOME TAXES (Note 10)	**5,260,813**	5,667,211
	44,382,847	45,693,328
NON-CONTROLLING INTEREST (Note 11(b))	**20,473,919**	21,104,782
UNITHOLDERS' EQUITY		
UNITHOLDERS' CAPITAL (Note 11(a))	**62,295,904**	62,295,904
DEFICIT	**(5,566,895)**	(3,674,307)
	56,729,009	58,621,597
	$ 121,585,775	$ 125,419,707

CARGOJET INCOME FUND
Consolidated Interim Statement of Operations and Deficit
(unaudited)

	March 31, 2006 (3 months)
REVENUES	$ 31,352,153
DIRECT EXPENSES	25,363,080
	5,989,073
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	
Sales and marketing	228,370
General and administrative	3,488,671
Interest, net	471,056
Amortization of capital assets	89,561
Amortization of intangible assets	2,517,288
	6,794,946
LOSS BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	(805,873)
FUTURE INCOME TAX RECOVERY (Note 10)	739,566
LOSS BEFORE NON-CONTROLLING INTEREST	(66,307)
NON-CONTROLLING INTEREST (Note 11(b))	(16,577)
NET LOSS	(49,730)
DEFICIT, BEGINNING OF PERIOD	(3,674,307)
DISTRIBUTIONS DECLARED IN THE PERIOD (Note 16)	(1,842,858)
DEFICIT, END OF PERIOD	$ (5,566,895)
LOSS PER TRUST UNIT - basic	$ (0.01)
LOSS PER TRUST UNIT - diluted (Note 11(c))	$ (0.01)
AVERAGE NUMBER OF TRUST UNITS OUTSTANDING - BASIC (in thousands of units)	6,699
AVERAGE NUMBER OF TRUST UNITS OUTSTANDING - DILUTED (in thousands of units)	8,932

CARGOJET INCOME FUND
Consolidated Interim Statement of Cash Flows
(unaudited)

	March 31, 2006 (3 months)
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES	
OPERATING	
Net loss	$ (49,730)
Items not affecting cash	
Amortization of capital assets	786,077
Amortization of intangible assets	2,517,288
Future income taxes	(739,566)
Non-controlling interest	(16,577)
Aircraft heavy maintenance accrual	446,129
Aircraft heavy maintenance expenditures	(27,883)
	2,915,738
Changes in non-cash working capital items	
Accounts receivable	1,353,583
Spare parts, materials and supplies	79,751
Prepaid expenses and deposits	(70,554)
Due from related company	314,338
Accounts payable and accrued charges	(4,186,925)
	405,931
FINANCING	
Net increase in long-term debt	2,794,303
Distributions paid to unitholders and non-controlling interest	(2,457,144)
	337,159
INVESTING	
Additions to capital assets	(1,077,822)
NET CASH OUTFLOW	(334,732)
CASH POSITION, BEGINNING OF PERIOD	359,502
CASH POSITION, END OF PERIOD	$ 24,770
SUPPLEMENTARY FINANCIAL INFORMATION	
Interest paid	$ 573,506
Distributions payable to income fund unitholders	$ 614,286
Distributions payable to exchangeable unitholders	$ 614,286
Equipment purchased under capital lease	$ 403,461

1. NATURE OF THE BUSINESS

Cargojet Income Fund (the "Fund") is an unincorporated opened-ended limited purpose trust established under the laws of Ontario pursuant to a Declaration of Trust dated April 25, 2005. The Fund was created to invest in Cargojet Holdings Ltd. (the "Company" or "Cargojet"). The Fund remained inactive until it acquired all of the shares of Cargojet on June 9, 2005.

The Fund provides domestic and transborder air cargo services.

2. INITIAL PUBLIC OFFERING AND ACQUISITION

On June 1, 2005, the Fund completed an initial public offering and the sale of 5,954,545 trust units (the "Units") for $10.00 per unit, for total gross proceeds of $59,545,450. The cost of issuing the units pre-over-allotment was $7,346,159 (prior to recording the effect of future income taxes of $2,653,433) resulting in net cash proceeds of $52,199,291.

On June 9, 2005, in conjunction with the initial public offering, the Fund, through a newly formed subsidiary, acquired all of the outstanding shares of Cargojet. Cargojet was amalgamated with its new parent company to form a new company also called Cargojet. Consideration for the acquisition was comprised of cash of $52,566,814, Units of the Fund with an ascribed value of $4,465,910 and 2,530,682 Exchangeable LP Units, with an ascribed value of $25,306,820, in the Fund's wholly-owned subsidiary, Cargojet Holdings Limited Partnership ("CHLP").

The Fund granted an over-allotment option to the underwriters to purchase up to 297,727 additional Units on the same terms as the initial public offering. On June 30, 2005, the over-allotment option was exercised in full with net proceeds from the exercise used to repurchase 297,727 exchangeable units from certain former shareholders of Cargojet at $10.00 per unit.

2. INITIAL PUBLIC OFFERING AND ACQUISITION (continued)

The acquisition was accounted for by the purchase method with the results of Cargojet's operations included in the Fund's earnings from the date of acquisition. These consolidated financial statements reflect the assets and liabilities of Cargojet at assigned fair values as follows:

Assets and liabilities acquired		
Accounts receivable	$	**7,314,784**
Spare parts, materials and supplies		**1,053,335**
Prepaid expenses and deposits		**2,388,230**
Due from related company		**686,824**
Capital assets		**28,547,759**
Deferred line maintenance charges		**38,367**
Licences		**1,000,000**
Customer relationships		**38,113,600**
Non-compete agreements		**2,722,400**
Goodwill		**46,169,976**
Bank indebtedness		**(424,970)**
Accounts payable and accrued charges		**(10,639,028)**
Income taxes payable		**(415,922)**
Long-term debt		**(21,710,857)**
Aircraft heavy maintenance accrual		**(1,257,934)**
Future income taxes		**(11,247,020)**
	$	**82,339,544**

Consideration		
Cash	**$**	**52,566,814**
Fund units (446,591 Fund units)		**4,465,910**
Exchangeable LP units (2,530,682 Exchangeable LP units)		**25,306,820**
	$	**82,339,544**

The allocation of the purchase price discrepancy, representing the excess of the purchase price, including acquisition costs, over the net book value of the net assets acquired, in the amount of $76,669,976 is allocated as follows:

Goodwill	**$**	**46,169,976**
Customer relationships		**38,113,600**
Non-compete agreements		**2,722,400**
Licenses		**500,000**
Future income taxes		**(10,836,000)**
	$	**76,669,976**

2. INITIAL PUBLIC OFFERING AND ACQUISITION (continued)

As at March 31, 2006, the allocation of the purchase price had not been finalized, as the current purchase price allocation may potentially be further adjusted for the identification of additional intangible assets. Adjustments that increase or decrease the intangible assets will be offset to goodwill.

3. BASIS OF PRESENTATION

The consolidated interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with Canadian generally accepted principles have been condensed to include only the notes related to the elements, which have significantly changed in the interim period. As the Fund had no operations prior to the acquisition of Cargojet Holdings Ltd., these consolidated interim financial statements should be read in conjunction with the audited combined financial statements of Cargojet Holdings Ltd. and notes thereto for the fiscal year ended December 31, 2004 included in the prospectus relating to the initial public offering of the Fund and the audited financial statements of the Fund for the period ended December 31, 2005. The financial information included herein reflects all adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three month period ended March 31, 2006 and for the period from inception, April 25, 2005 to December 31, 2005 are not necessarily indicative of the results to be expected for the full year. The accounting policies used in the preparation of these unaudited, consolidated interim financial statements are consistent with those described in the Company's audited consolidated financial statements for the fiscal year ended December 31, 2004 included in the prospectus and the audited financial statements of the Fund for the period ended December 31, 2005.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

Basis of presentation

These consolidated interim financial statements include the accounts of the Fund and its wholly owned subsidiary Cargojet Operating Trust and its 75% owned subsidiary Cargojet Holdings Limited Partnership (“CHLP”) and its wholly owned subsidiaries Cargojet Holdings Ltd. and Cargojet Partnership.

Spare parts, materials and supplies

Spare parts, materials and supplies are valued at average cost less provision for obsolescence.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are recorded at cost and are amortized using the declining-balance basis, except for leasehold improvements and engines which are amortized on the straight-line basis, at the following rates per annum:

Aircraft	-	7-½%
Engines	-	engine cycles
Ground equipment	-	20%
Rotable spares	-	7-½%
Computer hardware and software	-	30%
Furniture and fixtures	-	20%
Leasehold improvements	-	Lease term
Vehicles	-	30%
Hangar facility	-	10%

Intangible assets

Goodwill is created when the Fund acquires a business. It represents the excess, at the dates of acquisition, of the cost of the acquired business over the fair value of the net identifiable assets acquired.

Goodwill and intangible assets with indefinite useful lives are not amortized.

Goodwill will be tested for impairment annually on April 30 or more frequently if events or changes in circumstances indicate that the assets might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared to its fair value. When the fair value of a reporting unit exceeds its carrying amount, then goodwill of the reporting unit is considered not to be impaired and the second step is not required. The second step of the impairment test is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. When the carrying amount of the reporting units' goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate item in the consolidated statement of operations and deficit before income taxes and non-controlling interest.

Intangible assets, such as licenses, that have an indefinite useful life, are also tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the intangible asset with its fair value, and an impairment loss is recognized in the consolidated statement of operations and deficit for the excess, if any.

Intangible assets, such as customer relationships and non-compete agreements, that have a definite life are capitalized and are amortized over a four-year period and are further tested for impairment if events or circumstances indicate that the assets might be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

The Fund follows the Canadian accounting standard for impairment of long-lived assets, which requires that an impairment loss should be recognized when events or circumstances indicate that the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. Any resulting impairment loss is recorded in the period in which the impairment occurs.

The Fund has determined that there was no impairment of long-lived assets at March 31, 2006.

Aircraft heavy maintenance accrual

The Fund provides for airframe overhaul expenses for each owned and certain leased aircraft based on a provision for the scheduled costs. These expenses are charged to earnings according to the pre-determined number of months between airframe overhauls. Actual results could differ from those estimates and differences could be significant. Engine overhauls on owned aircraft are not accrued for as it is the Fund's policy to purchase or lease reconditioned engines as required by the maintenance schedule and amortize such engines over the related number of engine cycles used.

The Fund makes payments representing a portion of engine and airframe overhaul expenses to certain aircraft lessors. These payments are expensed. The excess of the actual costs incurred for future overhaul expenses over payments made is accrued when the amount is determinable.

Income taxes

The Fund follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantively enacted income tax rates and laws that will be in effect when the differences are expected to reverse.

Deferred line maintenance charges

Deferred line maintenance charges are recorded at cost and are amortized over the period of the related service contracts.

Non-controlling interest

Non-controlling interest represents a direct non-controlling equity interest in the Fund through exchangeable limited partnership units in CHLP. Exchangeable unit holders are entitled to earnings that are economically equivalent to distributions of the Fund. The exchangeable units were recorded at the value which the Fund's trust units were issued to the public through the initial public offering. Exchanges of exchangeable units are recorded at the carrying value of the exchangeable units at issuance net of net earnings and distributions attributable to participating exchangeable units to the date of exchange.

Revenue recognition

Revenue is recognized when the transportation services are provided.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at rates of exchange prevailing at period end. Gains or losses resulting from such translations are included in income.

Transactions in foreign currencies throughout the period have been converted at the exchange rate prevailing at the date of the transaction.

Derivative financial instruments

Derivative financial instruments are utilized by the Fund in the management of its interest rate and foreign currency exposures. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Fund enters into interest rate swaps in order to manage its exposure to fluctuations in interest rates on its floating rate debt. These swaps require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based and are designated as hedges of the interest payable on the debt. While effective as hedges they are accounted for under the accrual method. The net amount receivable or payable in respect of each swap is included in accounts receivable or accounts payable and accrued charges respectively in the balance sheet and recognized as an adjustment to interest, net in the statement of operations and deficit.

The Fund periodically enters into foreign exchange forward contracts to manage its exposure to fluctuations in the Canadian/U.S. exchange rate on its purchase transactions denominated in U.S. dollars. These contracts require the exchange of currencies on maturity of the contracts and are designated as hedges of anticipated U.S. dollar denominated purchases. While effective as hedges they are accounted for under the settlement method. The gain or loss on settlement of a contract is recognized as an adjustment to cost of the purchased items and is recognized in the statement of operations and deficit when this item is expensed.

Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity, are deferred and recognized in earnings in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is extinguished, matures or ceases to be probable prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in the statement of operations and deficit. Any non-hedging derivative financial instruments are marked to market at each reporting date and the resulting adjustment is recognized as part of general and administrative expenses in the statement of operations and deficit.

Guarantees

The Fund has adopted Accounting Guideline 14, - Disclosure of Guarantees - ("AcG-14"), which addresses the disclosure to be made by a guarantor in its financial statements about its obligations under guarantees.

The Fund has disclosed the information related to the guarantees in their current contracts in Note 15.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Management's use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The items requiring the use of management estimates are the determination of the aircraft heavy maintenance reserve, allowance for doubtful accounts, the obsolescence of spare parts, materials and supplies and the valuation of intangible assets.

5. CAPITAL ASSETS

	March 31, 2006 (unaudited)		
	Cost	**Accumulated Amortization**	**Net Book Value**
Aircraft and engines	**$ 17,048,557**	**$ 1,068,612**	**$ 15,979,945**
Ground equipment	**2,162,834**	**297,496**	**1,865,338**
Rotable spares	**5,578,252**	**308,601**	**5,269,651**
Computer hardware and software	**1,070,184**	**149,481**	**920,703**
Furniture and fixtures	**436,230**	**64,658**	**371,572**
Leasehold improvements	**1,964,832**	**330,514**	**1,634,318**
Vehicles	**148,097**	**31,826**	**116,271**
Hangar facility	**3,340,121**	**265,879**	**3,074,242**
	$ 31,749,107	**$ 2,517,067**	**$ 29,232,040**

	December 31, 2005 (audited)		
	Cost	Accumulated Amortization	Net Book Value
Aircraft and engines	$ 16,628,774	$ 739,307	$ 15,889,467
Ground equipment	1,928,135	206,822	1,721,313
Rotable spares	5,428,827	210,720	5,218,107
Computer hardware and software	615,348	94,101	521,247
Furniture and fixtures	434,151	45,437	388,714
Leasehold improvements	1,756,496	223,422	1,533,074
Vehicles	135,972	23,022	112,950
Hangar facility	3,340,121	188,159	3,151,962
	$ 30,267,824	$ 1,730,990	$ 28,536,834

5. CAPITAL ASSETS (continued)

Included in computer hardware and software is an amount under capital lease with net book value of $388,538 (December 31, 2005 – nil).

Amortization expense consists of amounts charged under the following classification:

	Three month period ended March 31, 2006 (unaudited)
Direct expenses	**$ 696,516**
Selling, general and administrative expenses	**89,561**
	$ 786,077

6. INTANGIBLE ASSETS

	March 31, 2006 (unaudited)			
	Rate	**Cost**	**Accumulated Amortization**	**Net Book Value**
Goodwill		**$ 46,169,976**	**$ -**	**$ 46,169,976**
Licences		**1,000,000**	**-**	**1,000,000**
Customer relationship	**4 years**	**38,113,600**	**7,727,141**	**30,386,459**
Non-compete agreements	**4 years**	**2,722,400**	**551,939**	**2,170,461**
		$ 88,005,976	**$ 8,279,080**	**$ 79,726,896**

	December 31, 2005 (audited)			
	Rate	Cost	Accumulated Amortization	Net Book Value
Goodwill		$ 46,169,976	$ -	$ 46,169,976
Licences		1,000,000	-	1,000,000
Customer Relationship	4 years	38,113,600	5,377,672	32,735,928
Non-compete agreements	4 years	2,722,400	384,120	2,338,280
		$ 88,005,976	$ 5,761,792	$ 82,244,184

During the three month period ended on March 31, 2006 amortization expense was $2,517,288.

7. LONG-TERM DEBT

The Fund has established a revolving credit facility with a Canadian chartered bank to a maximum of $28.0 million which bears interest at bank prime plus 1.7% and is repayable May 30, 2007. The Fund has entered into a hedging relationship with a major Canadian financial institution to manage most of the interest rate exposure with respect to its floating rate debt (Note 14).

The credit facility is subject to customary terms and conditions for borrowers of this nature, including, for example, limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of certain financial covenants.

The credit facility is secured by the following:

- general security agreement over all assets of the Fund.
- guarantee and postponement of claim to a maximum of $35.0 million in favour of Cargojet Partnership and certain other entities of the Fund.
- assignment of insurance proceeds, loss if any, payable to the bank.

Long-term debt consists of the following:

	March 31, 2006 (unaudited)	December 31, 2005 (audited)
Revolving credit facility	**$ 26,040,208**	$ 23,179,862
Obligation under capital lease	**337,418**	-
	26,377,626	23,179,862
Less current portion of obligation under capital lease	**115,390**	-
	$ 26,262,236	$ 23,179,862

The following is a schedule of future annual minimum lease payments for computer hardware and software under capital lease together with the balances of the obligation:

2006	$ 101,280
2007	135,039
2008	135,039
	371,358
Less interest and other charges	33,940
Obligation under capital	337,418
Less current portion	115,390
Balance of obligation	$ 222,028

Interest on long-term debt for the period totaled $436,113.

8. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	March 31, 2006 (unaudited)	December 31, 2005 (audited)
Trade payables and related accrued charges	**$ 6,588,255**	$ 8,493,027
Advances from the EPSP Trust	**-**	1,900,000
Payroll and benefits	**1,252,456**	1,634,609
	$ 7,840,711	$ 12,027,636

Advances from the Cargojet Group of Companies Employee Profit Sharing Plan Trust ("EPSP Trust"), an entity established prior to the acquisition of Cargojet for the benefit of certain senior executives of the predecessor company, bear interest at 8% per annum and are repayable on demand. The advances were repaid on March 31, 2006.

9. AIRCRAFT HEAVY MAINTENANCE ACCRUAL

The Fund provides for airframe overhaul expenses for each owned and certain leased aircraft. These expenses are charged to earnings according to the pre-determined number of months between airframe overhauls. As at March 31, 2006, the estimated liability totalled $2,515,937, of which $2,140,937 is expected to be expended in the next twelve months. (December 31, 2005 - $2,097,691 of which $1,847,691 is expected to be expended in the next fiscal year).

10. INCOME TAXES

The tax effect of significant temporary differences is as follows:

	March 31, 2006 (unaudited)	December 31, 2005 (audited)
Capital assets	**$ 2,439,209**	2,303,310
Intangible assets	**7,644,556**	8,288,895
Operating loss carryforwards	**(655,249)**	(408,131)
Financing costs	**(2,227,046)**	(2,357,924)
Expenses incurred, not currently deductible	**(781,469)**	(666,583)
Future income tax liability	**6,420,001**	7,159,567
Current portion of future income tax liability	**1,159,188**	1,492,356
Future income tax liability	**$ 5,260,813**	$ 5,667,211

A reconciliation between the Fund's statutory and effective tax rates is as follows:

	Three month period ended March 31, 2006 (unaudited)
Loss before income taxes and non-controlling interest	**$ (805,873)**
Income tax recovery at the combined basic rate	**$ (291,081)**
Tax on income attributable to Trust Unitholders and Exchangeable LP Unitholders	**(697,457)**
Permanent and other differences	**248,972**
Income tax recovery	**$ (739,566)**

11. UNITHOLDERS' EQUITY

The beneficial interests in the Fund is divided into interests of two classes, described and designated as "Units" and "Special Voting Units", respectively. An unlimited number of trust Units and Special Voting Units may be authorized and issued pursuant to the Declaration of Trust.

Each trust Unit represents an equal voting, fractional, and undivided beneficial interest in the Fund. All trust Units are transferable and share equally in all distributions from the Fund whether of net earnings, return of capital, return of principal, interest, dividends or net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding up of the Fund. The trust Units are redeemable at any time on demand by the holders at fair value as determined by and subject to the conditions of the Declaration of Trust to a maximum of $50,000 per calendar quarter.

The Special Voting Units are not entitled to any interest or share in the Fund, in any distribution from the Fund whether of net earnings, net realized gains or other amounts, or in the net assets of the Fund in the event of a termination or winding-up of the Fund. The Special Voting Units will only be issued to the holders of Class A limited partnership units of the CHLP ("Exchangeable LP Units"), for the purpose of providing voting rights to these Special Voting Unit holders, with respect to the Fund. Each Special Voting Unit will entitle the holder to that number of votes at any meeting of Voting Unitholders that is equal to the number of Units that may be obtained upon the exchange of the Exchangeable LP Unit to which it is attached. Upon the exchange or conversion of an Exchangeable LP Unit for Units, the related Special Voting Unit will immediately be cancelled without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any further rights.

(a) Trust Units

	Number	Amount
Issued on initial public offering	**5,954,545**	**$ 59,545,450**
Fund Units	**446,591**	**4,465,910**
Exercise of over-allotment	**297,727**	**2,977,270**
	6,698,863	**66,988,630**
Issuance costs, net of future income taxes of $2,653,433		**(4,692,726)**
Unitholders' equity, March 31, 2006 (unaudited)	**6,698,863**	**$ 62,295,904**

11. UNITHOLDERS' EQUITY (continued)

(b) Non-controlling interest

	Number	Amount
Exchangeable LP units issued on acquisition of Cargojet Holdings Ltd.	**2,530,682**	**$ 25,306,820**
Exercise of over-allotment	**(297,727)**	**(2,977,270)**
Share of earnings of the CHLP		**153,858**
Distributions declared in the period		**(1,378,626)**
Non-controlling interest, December 31, 2005 (audited)	**2,232,955**	**21,104,782**
Share of loss of the CHLP		**(16,577)**
Distributions declared in the period (Note 16)		**(614,286)**
Non-controlling interest, March 31, 2006 (unaudited)		**$ 20,473,919**

(c) Diluted earnings per trust unit

For the purpose of determining diluted earnings per trust unit the weighted average number of Trust Units and Exchangeable LP Units have been combined.

12. RELATED PARTY TRANSACTIONS

The Fund had the following transactions with a related company, Starjet Airways Ltd. ("Starjet"), a company controlled by the Fund's Chief Executive Officer.

	Three month period ended March 31, 2006 (unaudited)
Revenues associated with passenger air service	**$ 1,003,402**
Cost of sales associated with the stated revenues	**$ 877,693**

During the period, the Fund accrued interest of approximately $38,000 (Note 8) on the advances from the EPSP Trust.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due from the related company are in the nature of trade, are non-interest bearing and are due on demand.

13. COMMITMENTS AND CONTINGENCY

Commitments

The Fund is committed to the following annual minimum lease payments under operating leases for its fleet of aircraft, office premises and certain equipment:

2006 - remainder of fiscal year	$ 5,719,310
2007	6,099,062
2008	4,363,668
2009	3,169,545
2010	105,655
	$ 19,457,240

Contingency

The Fund has provided irrevocable standby letters of credit totaling $220,000 to a financial institution and a supplier as security for its corporate credit cards and ongoing services to be provided. The letters of credit expire as follows:

December 29, 2006	$ 200,000
March 20, 2007	20,000
	$ 220,000

14. FINANCIAL INSTRUMENTS

Fair value

The fair value of all financial assets and liabilities approximate their carrying value based on management estimates except as to the fair value of the interest rate swap as described below.

Credit risk

The Fund is subject to risk of non-payment of accounts receivable. The Fund mitigates this risk by monitoring the credit worthiness of its customers and limiting its concentration of receivables to any one specific group of customers. At March 31, 2006, approximately 24% of the accounts receivable balance was receivable from two customers (December 31, 2005 – 24 % from two customers).

Foreign exchange risk

The Fund undertakes purchase transactions in foreign currencies, and therefore is subject to gains and losses due to fluctuations in the foreign currencies. The Fund manages its exposure to changes in the Canadian/U.S. exchange rate on anticipated purchases by buying forward U.S. dollars at fixed rates in future periods. As at March 31, 2006 the Fund had no foreign exchange forward contracts outstanding.

The foreign exchange gain during the three month period ended on March 31, 2006 was approximately $1,400.

14. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Fund has long-term floating rate debt which creates an exposure to fluctuations in interest rates (Note 7).

The Fund uses interest rate swaps to manage its exposure to interest rate fluctuations. At March 31, 2006, the Fund had one swap contract in place with a major Canadian financial institution to manage most of the interest rate exposure in respect of these floating rate debts. The swap has a notional amount of $21,000,000. The Fund pays floating rate interest at BA-CDOR and receives fixed rate interest at 3.69% plus a stamping fee of 3.2% on a monthly basis and the swap matures on June 15, 2008.

At March 31, 2006, this interest rate swap contract had a positive fair value, or value favourable to the Fund of approximately $267,000. The swap is an effective hedge as at March 31, 2006 and therefore this unrecognized gain has not been taken to earnings.

Commodity risk

The Fund is exposed to commodity risk for variations in fuel costs. The Fund does not use derivative instruments to mitigate this risk.

15. GUARANTEES

In the normal course of business, the Fund enters into agreements that meet the definition of a guarantee. The Fund's primary guarantees subject to the disclosure requirements of AcG-14 are as follows:

(a) The Fund has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements, the Fund agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.

(b) Indemnity has been provided to all directors and or officers of the Fund for various items including, but not limited to, all costs to settle suits or actions due to association with the Fund, subject to certain restrictions. The Fund has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Fund. The maximum amount of any potential future payment cannot be reasonably estimated.

15. GUARANTEES (continued)

(c) In the normal course of business, the Fund has entered into agreements that include indemnities in favor of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, underwriting agreements, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Fund to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Fund from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Fund has not made any payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

16. DISTRIBUTIONS

The Fund makes regular distributions to unitholders of record as of the last business day of each month. Distributions to unitholders and Exchangeable LP unitholders are calculated and recorded on an accrual basis. Distributions for the three month period ended on March 31, 2006 were $1,842,858 to unitholders and $614,286 to Exchangeable LP unitholders.

Distributions payable at March 31, 2006 (unaudited) are as follows:

Units	Period	Record date	Payment Date	Per Unit	Distributions Amount
Income Fund units	March 1 to March 31, 2006	March 31, 2006	**Apr. 13, 2006**	**$ 0.0917**	**$ 614,286**
Exchangeable LP units	January 1 to March 31, 2006	March 31, 2006	**Apr. 13, 2006**	**$ 0.2751**	**614,286**
					$ 1,228,572

16. DISTRIBUTIONS (continued)

Distributions payable at December 31, 2005 (audited) are as follows:

Units	Period	Record date	Payment Date	Per Unit	Distributions Amount
Income Fund units	December 1 to December 31, 2005	December 31, 2005	**Jan. 13, 2006**	**$ 0.0917**	**$ 614,286**
Exchangeable LP units	October 1 to December 31, 2005	December 31, 2005	**Jan. 13, 2006**	**$ 0.2751**	**614,286**
					$ 1,228,572

At the end of each fiscal quarter, including the fiscal quarter ending on the fiscal year end, distributions will be made in the following order of priority:

a) First, in payment of the monthly distribution to the holders of Income Fund Units for the month then ended;

b) Second, to the holders of Income Fund Units to the extent that the monthly per unit distributions in respect of the twelve month period then ended were not made or were made in amounts less than approximately $0.09 per unit per month, the amount of any deficiency;

c) Third, to the holders of Exchangeable LP Units in a per unit amount of approximately $0.27 per fiscal quarter, if there is insufficient cash to make distributions in such amount, such lesser amount as is determinable;

d) Fourth, to the holders of Exchangeable LP Units to the extent that the per unit distributions in respect of any fiscal quarter(s) during the twelve month period then ended were not made or were made in amounts less than approximately $0.27 per Exchangeable LP Unit, the amount of any deficiency; and

e) Fifth, to the extent of any excess, proportionately to the holders of the Income Fund Units and the Exchangeable LP Units.

17. SEGMENTED INFORMATION

The Fund manages its operations in one business segment, which is providing domestic, trans-border and international air cargo services. All operations are conducted primarily in Canada.

During the three month period ended March 31, 2006, the Fund had sales to three customers that represented approximately 51% of total revenues.